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FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC PRIORITY 5750
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUEHBJ/AMEMBASSY BEIJING 4202
RUEHBY/AMEMBASSY CANBERRA 0995
RUEHUL/AMEMBASSY SEOUL 4124
RUEHKO/AMEMBASSY TOKYO 0655
RUEHWL/AMEMBASSY WELLINGTON 1647
RHHJJPI/USPACOM HONOLULU HI
RHEHNSC/NSC WASHDC
RUEAIIA/CIA WASHDC

C O N F I D E N T I A L JAKARTA 002191

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DEPT FOR EAP, EAP/MTS, EAP/MLS

E.O. 12958: DECL: 08/10/2017

TAGS: [PREL](#) [PGOV](#) [ETRD](#) [ID](#) [VN](#) [CN](#)

SUBJECT: VIETNAMESE PM'S TRIP FOCUSES ON ECONOMIC ISSUES
WITH STRATEGIC SUBTEXT

Classified By: POL/C Joesph Legend Novak for reasons 1.4 (b) and (d).

¶1. (C) SUMMARY: Vietnamese Prime Minister Nguyen Tan Dung's August 8 visit to Indonesia generated positive rhetoric about Indonesia-Vietnam relations. The visit also produced a number of economic cooperation agreements. Some Indonesians look to Vietnam as a potential strategic partner, especially in light of China's rise, but anxieties remain about Vietnam as an economic competitor. END SUMMARY

¶2. (SBU) ECONOMICS TOP AGENDA: On August 8, Vietnamese PM Dung, together with a large delegation of business representatives and government officials, visited Indonesia for discussions on a broad range of issues. Following their meeting, President Yudhoyono and PM Dung declared their intention to deepen bilateral economic ties and affirmed their commitment to building the ASEAN Community. They also presided over the signing of a cooperation agreement between the Indonesian Chamber of Commerce and Industry (KADIN) and its Vietnamese counterpart. KADIN chairman Mohammad S. Hidayat hailed the agreement, which established a schedule of regular business community meetings and a framework for business joint ventures, as "a major deepening" of Indonesia-Vietnam relations.

¶3. (SBU) The two leaders also oversaw the signing of cooperation agreements on tourism, anti-corruption, and a three-way agreement by Pertamina, PetroVietnam and Malaysia's Petronas to develop hydrocarbon resources in East Java. PM Dung also met Vice President Yusuf Kalla for discussions on bilateral and ASEAN economic issues.

¶4. (C) STRATEGIC SUBTEXT: Although economic issues dominated the public agenda, political and security concerns lurked not far beneath the surface. Lieutenant General (ret) Agus Widjojo, a well-informed contact, told poloff that many officers in Indonesia's military regard Vietnam as a potential security partner and looked to build stronger military ties. This initiative is consistent with Indonesia's history of regarding Vietnam as a possible bulwark against Chinese influence in Southeast Asia and the South China Sea. While the military favors such engagement, the Department of Foreign Affairs has generally stressed the economic side of Indonesia-Vietnam relations and downplayed the security-related side, according to Widjojo.

¶5. (C) GOOD FRIENDS BUT THERE ARE ISSUES: There is little doubt that Indonesian-Vietnamese relations are positive and

that Dzung's visit added to that overall texture. The GOI clearly sees the China angle one reason the countries' should be close friends. That said, Indonesians simultaneously are worried about Vietnam as an economic competitor. Opposition Member of Parliament Alvin Lie told poloff that Indonesians were very concerned that Vietnam was attracting foreign investment that might have otherwise gone to Indonesia. He cited what he said were Vietnam's lower labor costs and more predictable legal environment as the main reasons that investors were turning from Indonesia to Vietnam. It is doubtful that the economic agreements reached during the trip will assuage such concerns.

HUME